

Bell Atlantic
 FCC Proposed Exogenous Methodology
 Basket Impacts of Using Revenue to Quantify Exogenous

Item	Source								Net
		CL	Port TS	Other TS	TIC	Other Trunk	IX	Price Cap	
1 Part 69 COE Maintenance Exogenous 1\	Exhibit C-3, p. 1	451	-	(35,210)	-	34,308	450	0	
2 End Office Analog Mux	Exhibit C-3, p. 3	0	(1,115)	0	1,115	0	0	0	
3 STP Links	Exhibit C-3, p. 4	0	0	(921)	921	0	0	0	
4 Tandem STP	Exhibit C-3, p. 5	0	0	(6,400)	6,400	0	0	0	
5 Host Remote	Exhibit C-3, p. 8	0	0	0	11,351	(11,351)	0	0	
6 Port Costs	Exhibit C-3, pp. 6-7	145,921	51,819	(197,740)	-	0	0	0	
7 Part 69 GSF Rule Change	Exhibit C-3, p. 2	(140)	-	(2,626)	-	4,497	(148)	1,583	
8 Total Incremental Exog. Based on Revs.	Sum Lns 1 thru 7	146,233	50,704	(242,898)	19,788	27,454	302	1,583	
9 Total Incremental Exog. Based on Earnings	From Work Papers	163,872	56,993	(227,743)	9,413	(3,258)	(172)	(895)	

Exhibit C-2

Bell Atlantic

Common Line Rates of Return

State	Total BA
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	Item		
Data	Avg Net Inv	Net Retur	RoR
1991 Total CL	3,278,760	307,066	9.37%
1992 Total CL	3,416,699	319,549	9.35%
1993 Total CL	3,536,418	383,242	10.84%
1994 Total CL	3,823,902	330,479	8.64%
1995 Total CL	3,849,334	300,001	7.79%
1996 Total CL	3,645,299	365,133	10.02%

		CL w/Pay Tel Adjst	TS	Trunking	IX
4014 Network Access Revenues	Line 7351+8007+8020+8041+4040-4033-4066-4070+4072-7000	1,243,120	387,959	1,200,323	25,399
4014* Ntwk Access Revenue @ Basket RoR	Line 7351+8007*+8020*+8041*+4040-4033-4066-4070+4072-7000	1,224,288	512,039	994,794	73,087
2260 Tot Tel Property	1996 ARMIS 43-04	4,202,618	1,164,427	4,253,309	7,518
3430 Tot Res & Def	1996 ARMIS 43-04	2,169,242	640,495	2,285,170	4,103
4033 Tot Misc Revenue	1996 ARMIS 43-04	35,698	11,368	45,479	978
4040 Uncollectible Revenue	1996 ARMIS 43-04	9,530	3,790	7,403	557
4066 Tot Oth Op Inc	1996 ARMIS 43-04	398	110	284	0
4070 AFDUC	1997 ARMIS 43-04	3,796	1,075	3,954	7
4072 Contributions	1998 ARMIS 43-04	1,240	331	1,197	1
7000 Marketing Expense	1996 ARMIS 43-04	42,155	11,802	14,084	72
7351 Tot Oper Expense	1996 ARMIS 43-04	937,867	311,699	895,644	24,845
8000 St & Lcl Inc Tax	(8041+8020-8010)*SIT RATE/(1-SIT RATE)	17,215	4,031	14,434	15
8000* St & Lcl Inc Tax @ Basket RoR	(8041*+8020*-8010)*SIT RATE/(1-SIT RATE)	16,214	10,065	(2,146)	1,337
8005 Tot Oth St & Lcl Tax	1996 ARMIS 43-04	50,624	12,861	46,188	521
8007 Tot St&Lcl Tax	Line 8000 + Line 8005	67,839	16,892	60,622	536
8007* Tot St&Lcl Tax @ Basket RoR	Line 8000* + Line 8005	66,838	22,926	44,042	1,858
8010 Fixed Charges	1996 ARMIS 43-04	2,163	734	2,731	4
8013 IRS Inc Adj	1996 ARMIS 43-04	0	0	0	0
8014 FCC Inc Adj 65	1996 ARMIS 43-04	7,593	2,028	7,410	12
8015 ITC Amort	1996 ARMIS 43-04	0	0	0	0
8018 FCC ITC Adj	1996 ARMIS 43-04	85,731	21,870	81,531	144
8020 Fed Inc Tax	Line((8041-8010+8013+8014-8015-8018)x.35/.65)-8015	79,937	20,659	77,842	134
8020* Fed Inc Tax @ Basket RoR	Line((8041*-8010+8013+8014-8015-8018)x.35/.65)-8015	73,696	61,975	11,710	16,361
8040 Average Net Invest	Line 2260 - Line 3430	2,033,376	523,932	1,968,139	3,415
8041 Net Return	Line 8040 * .1125	228,755	58,942	221,416	384
Basket RoR	1996 ARMIS 43-04	10.68%	25.90%	5.01%	893.76%
8041* Net Return @ Basket RoR	Line 8040 * Bakset RoR Reflected in ARMIS	217,165	135,673	98,599	30521.81

		CL w/Pay Tel Adjst	TS	Trunking	IX
4014 Network Access Revenues	Line 7351+8007+8020+8041+4040-4033-4066-4070+4072-7000	1,136,309	390,713	1,349,625	2,468
4014* Ntwk Access Revenue @ Basket RoR	Line 7351+8007*+8020*+8041*+4040-4033-4066-4070+4072-7000	1,106,147	786,536	1,139,885	21,643
2260 Tot Tel Property	1996 ARMIS 43-04	3,709,750	1,236,713	4,494,361	5,067
3430 Tot Res & Def	1996 ARMIS 43-04	2,158,981	758,238	2,695,534	3,128
4033 Tot Misc Revenue	1996 ARMIS 43-04	18,924	7,746	18,790	199
4040 Uncollectible Revenue	1996 ARMIS 43-04	4,150	2,693	4,055	60
4066 Tot Oth Op Inc	1996 ARMIS 43-04	(2,210)	(720)	(2,624)	(4)
4070 AFDUC	1997 ARMIS 43-04	3,789	1,249	4,669	5
4072 Contributions	1998 ARMIS 43-04	1,592	517	1,881	2
7000 Marketing Expense	1996 ARMIS 43-04	56,271	18,580	38,113	75
7351 Tot Oper Expense	1996 ARMIS 43-04	890,496	301,187	1,046,548	2,065
8000 St & Lcl Inc Tax	(8041+8020-8010)*SIT RATE/(1-SIT RATE)	5,387	1,723	0	0
8000* St & Lcl Inc Tax @ Basket RoR	(8041*+8020*-8010)*SIT RATE/(1-SIT RATE)	4,653	11,641	0	0
8005 Tot Oth St & Lcl Tax	1996 ARMIS 43-04	85,005	41,008	91,910	336
8007 Tot St&Lcl Tax	Line 8000 + Line 8005	90,392	42,731	91,910	336
8007* Tot St&Lcl Tax @ Basket RoR	Line 8000* + Line 8005	89,658	52,649	91,910	336
8010 Fixed Charges	1996 ARMIS 43-04	10,547	3,381	12,746	22
8013 IRS Inc Adj	1996 ARMIS 43-04	257	83	312	0
8014 FCC Inc Adj 65	1996 ARMIS 43-04	2,986	982	3,494	4
8015 ITC Amort	1996 ARMIS 43-04	0	0	0	0
8018 FCC ITC Adj	1996 ARMIS 43-04	70,603	20,664	78,636	85
8020 Fed Inc Tax	Line((8041-8010+8013+8014-8015-8018)x.35/.65)-8015	51,991	16,611	61,811	62
8020* Fed Inc Tax @ Basket RoR	Line((8041*-8010+8013+8014-8015-8018)x.35/.65)-8015	41,691	151,678	(11,598)	6,773
8040 Average Net Invest	Line 2260 - Line 3430	1,550,769	478,475	1,798,827	1,939
8041 Net Return	Line 8040 * .1125	174,462	53,828	202,368	218
Basket RoR	1996 ARMIS 43-04	10.02%	63.67%	3.67%	654.05%
8041* Net Return @ Basket RoR	Line 8040 * Bakset RoR Reflected in ARMIS	155,333	304,667	66,037	12,682

Bell Atlantic
COE Maintenance Exogenous Adjustments
Dollars in Thousands

BA-South

Item	Source	CL	TS	Trunking	IX	Total Price Cap
1 Part 69 COE Maintenance Exogenous as Filed	11/26/97 Letter Filing, Workpaper COE - 1-S	(28,947)	96,273	(67,894)	568	0
2 COE Maint. as % of Part 69 Rev. Req.	Ln1 / Ln 4014, Exhibit C-3S	-2.33%	N/A	-5.66%	2.24%	
3 Access Reform 'R' Values	Access Reform Tariff Filing 1\	1,224,427	505,385	845,485	104,854	2,680,152
4 COE Maint. Exog Based on Revenue	Ln 2 * Ln 3, 2\	(28,512)	73,990	(47,823)	2,345	0
5 Revenue Difference	Ln 4 - Ln 1	435	(22,283)	20,071	1,777	0

1\ Reflects exogenous marketing expense adjustment.
2\ TS column calculated as sum of (CL + Trunk + IX) * -1.

BA-North

Item	Source	CL	TS	Trunking	IX	Total Price Cap
1 Part 69 COE Maintenance Exogenous as Filed	11/26/97 Letter Filing, Workpaper COE - 1-S	(11,487)	60,969	(49,276)	(206)	0
2 COE Maint. as % of Part 69 Rev. Req.	Ln1 / Ln 4014, Exhibit C-3N	-1.01%	N/A	-3.65%	-8.35%	
3 Access Reform 'R' Values	Access Reform Tariff Filing 1\	1,134,759	744,141	959,669	18,360	2,856,929
4 COE Maint. Exog Based on Revenue	Ln 2 * Ln 3, 2\	(11,471)	48,042	(35,038)	(1,533)	0
5 Revenue Difference	Ln 4 - Ln 1	16	(12,927)	14,238	(1,327)	0

1\ Reflects exogenous marketing expense adjustment.

3A-South

Item	Source	CL	TS	Trunking	IX	Total Price Cap
1 Part 69 GSF Exogenous as Filed	Workpaper GSF series	4,032	1,143	4,305	3	9,483
2 Part 69 COE Maint. Adjst.	Access Reform Filing	(28,947)	96,273	(67,894)	568	0
3 Filed GSF as % of Part 69 Rev. Req.	Ln1 / (Ln2 + Ln 4014, Exhibit C-3S)	0.33%	0.24%	0.38%	0.01%	N/A
4 Access Reform 'R' Values	Access Reform Tariff Filing	1,224,427	505,385	845,485	104,854	2,680,152
5 Basket Earnings	Exhibit C-3S	1,224,288	512,039	994,794	73,087	2,804,208
6 GSF Exog Based on Revenues	Ln 3 * Ln 4	4,066	1,193	3,214	14	8,487
7 GSF Exog Based on Basket Earnings	Ln 3 * Ln 5	4,065	1,209	3,782	9	9,065
8 Revenue Difference	Ln 6 - Ln 1	34	50	(1,091)	10	(997)
9 Earnings Difference	Ln 7 - Ln 1	34	66	(523)	6	(418)

BA-North

Item	Source	CL	TS	Trunking	IX	Total Price Cap
1 Part 69 GSF Exogenous as Filed	Workpaper GSF series	11,939	3,979	13,001	19	28,938
2 Part 69 COE Maint. Adjst.	Access Reform Filing	(11,487)	60,969	(49,276)	(206)	0
3 Filed GSF as % of Part 69 Rev. Req.	Ln1 / (Ln2 + Ln 4014, Exhibit C-3N)	1.06%	0.88%	1.00%	0.86%	
4 Access Reform 'R' Values	Access Reform Tariff Filing	1,134,759	744,141	959,669	18,360	2,856,929
5 Basket Earnings	Exhibit C-3N	1,106,147	786,536	1,139,885	21,643	3,054,211
6 GSF Exog Based on Revenues	Ln 3 * Ln 4	12,044	6,555	9,595	157	28,351
7 GSF Exog Based on Basket Earnings	Ln 3 * Ln 5	11,740	6,929	11,397	185	30,251
8 Revenue Difference	Ln 6 - Ln 1	105	2,576	(3,406)	138	(587)
9 Earnings Difference	Ln 7 - Ln 1	(198)	2,950	(1,604)	166	1,313

BA-South

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 Analog Mux Exogenous as Filed		3,129	3,129
2 Part 69 COE Maint. Adjst.	Access Reform Filing	(67,894)	(67,894)
3 Filed Mux Rev. Req. as % of Part 69 Trunking Rev. Req. Ln1 / (Ln2 + Ln 4014, Exhibit C-3S)		0.28%	0.28%
4 Basket Revenue	1\	845,485	994,794
5 Analog Mux Exog Based on FCC Rev. Proposal	Ln 3 * Ln 4	2,336	2,749
6 Difference	Ln 5 - Ln 1	(793)	(380)

BA-North

		Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 Analog Mux Exogenous as Filed	Access Reform Filing	1,229	1,229
2 Part 69 COE Maint. Adjst.	Access Reform Filing	(49,276)	(49,276)
3 Filed Mux Rev. Req. as % of Part 69 Trunking Rev. Req. Ln1 / (Ln2 + Ln 4014, Exhibit C-3N)		0.09%	0.09%
4 Basket Revenue	1\	959,669	1,139,885
5 Analog Mux Exog Based on FCC Rev. Proposal	Ln 3 * Ln 4	907	1,078
6 Difference	Ln 5 - Ln 1	(322)	(152)

1\ 'R' values from Access Reform Filing with adjustment for marketing exogenous;

BA-South

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 STP Link - Fixed Rev. Req.as Filed		3,129	3,129
2 STP Link - Per Mile Rev. Req.as Filed		71	71
3 Total STP Link as Filed	Ln 1 + Ln 2	3,200	3,200
4 Part 69 COE Maint. Adjst.	Access Reform Filing	(67,894)	(67,894)
5 STP Link - Fixed as % of Trunking Rev. Req.	Ln1 / (Ln4 + Ln 4014, Exhibit C-3S)	0.28%	0.28%
6 STP Link - Per Mile as % of Trunking Rev. Req.	Ln2 / (Ln4 + Ln 4014, Exhibit C-3S)	0.01%	0.01%
7 Basket Revenue	1\	845,485	994,794
8 STP Fixed Exog Based on FCC Proposal	Ln 5 * Ln 7	2,336	2,749
9 STP Per Mile Exog Based on FCC Proposal	Ln 6 * Ln 7	53	62
10 Total STP Exog. Based on FCC Proposal	Ln 8 + Ln 9	2,389	2,811
11 Difference	Ln 10 - Ln 3	(811)	(389)

BA-North

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 STP Link - Fixed Rev. Req.as Filed		215	215
2 STP Link - Per Mile Rev. Req.as Filed		207	207
3 Total STP Link as Filed	Ln 1 + Ln 2	422	422
4 Part 69 COE Maint. Adjst.	Access Reform Filing	(49,276)	(49,276)
5 STP Link - Fixed as % of Trunking Rev. Req.	Ln1 / (Ln4 + Ln 4014, Exhibit C-3N)	0.02%	0.02%
6 STP Link - Per Mile as % of Trunking Rev. Req.	Ln2 / (Ln4 + Ln 4014, Exhibit C-3N)	0.02%	0.02%
7 Basket Revenue	1\	959,669	1,139,885
8 STP Fixed Exog Based on FCC Proposal	Ln 5 * Ln 7	159	189
9 STP Per Mile Exog Based on FCC Proposal	Ln 6 * Ln 7	153	181
10 Total STP Exog. Based on FCC Proposal	Ln 8 + Ln 9	311	370
11 Difference	Ln 10 - Ln 3	(111)	(52)

1\ 'R' values from Access Reform Filing with adjustment for marketing exogenous;

BA-South

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 Part 69 STP Revenue Requirement in Tandem	Access Reform Filing	18,162	18,162
2 Part 69 COE Maintenance Exogenous as Filed	Access Reform Filing	(67,894)	(67,894)
3 STP as % of Trunking Rev. Req.	Ln 1 / (Ln 2 + Ln 4014, Exhibit C-3S)	1.60%	1.60%
4 Basket Revenue	1\	845,485	994,794
5 STP Exog Based on FCC Rev. Proposal	Ln 3 * Ln 4	13,560	15,954
6 STP Port Revenues	Access Reform fFiling	4,103	4,103
7 Residual STP Revenue Requirement	Ln 5 - Ln 6	9,457	11,851
8 STP Costs in TIC	80% * Ln 7	7,565	9,481
9 STP Costs in TSW Rate	20% * Ln 7	1,891	2,370
10 STP Costs in TIC as Filed	Access Reform Filing	11,247	11,247
11 STP Costs in TSW Rate as Filed	Access Reform Filing	2,812	2,812
12 Net Tandem STP Costs as Filed	Ln 10 + Ln 11	14,058	14,058
13 Difference	Ln 7 - Ln 12	(4,602)	(2,207)

BA-North

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 STP Revenue Requirement in Tandem	Access Reform Filing	6,865	6,865
2 Part 69 COE Maintenance Exogenous as Filed	Access Reform Filing	(49,276)	(49,276)
3 STP as % of Trunking Rev. Req.	Ln 1 / (Ln 2 + Ln 4014, Exhibit C-3N)	0.53%	0.53%
4 Basket Revenue	1\	959,669	1,139,885
5 STP Exog Based on FCC Rev. Proposal	Ln 3 * Ln 4	5,066	6,017
6 STP Port Revenues	Access Reform fFiling	1,536	1,536
7 Residual STP Revenue Requirement	Ln 5 - Ln 6	3,530	4,482
8 STP Costs in TIC	80% * Ln 7	2,824	3,585
9 STP Costs in TSW Rate	20% * Ln 7	706	896
10 STP Costs in TIC as Filed	Access Reform Filing	4,263	4,263
11 STP Costs in TSW Rate as Filed	Access Reform Filing	1,066	1,066
12 Net Tandem STP Costs as Filed	Ln 10 + Ln 11	5,329	5,329
13 Difference	Ln 7 - Ln 12	(1,798)	(847)

1\ 'R' values from Access Reform Filing with adjustment for marketing exogenous;

Development of BA-South Local Switching Revenue Requirement:

ARMIS Row Number	Description	Source	Total BA-South From 11/26/97 Letter Filing	Total BA-South LS Rev. Req. @ Basket RoR	Total BA-South Total LS Revs 'R' Values
4014	Network Access Revenues	Line 7351+8007+8020+8041+4040-4033-4066-4070+4072-7000	316,895	436,109	417,787
1219	Tot Cat 3 Investment	1996 ARMIS 43-04	929,626	929,626	N/A
2260	Tot Tel Property	1996 ARMIS 43-04	1,112,478	1,112,478	N/A
3430	Tot Res & Def	1996 ARMIS 43-04	613,170	613,170	N/A
4033	Tot Misc Revenue	1996 ARMIS 43-04	11,289	11,289	N/A
4040	Uncollectible Revenue	1996 ARMIS 43-04	3,264	3,264	N/A
4066	Tot Oth Op Inc	1996 ARMIS 43-04	108	108	N/A
4070	AFDUC	1997 ARMIS 43-04	1,062	1,062	N/A
4072	Contributions	1998 ARMIS 43-04	329	329	N/A
7000	Marketing Expense	1996 ARMIS 43-04	11,669	11,669	11,669
7351	Tot Oper Expense	1996 ARMIS 43-04	244,271	244,271	N/A
8000	St & Lcl Inc Tax	(8041+8020-8010)*SIT RATE/(1-SIT RATE)	3,792	10,508	N/A
8005	Tot Oth St & Lcl Tax	1996 ARMIS 43-04	12,713	12,713	N/A
8007	Tot St&Lcl Tax	Line 8000 + Line 8005	16,505	23,221	N/A
8010	Fixed Charges	1996 ARMIS 43-04	13,125	13,125	N/A
8013	IRS Inc Adj	1996 ARMIS 43-04	725	725	N/A
8014	FCC Inc Adj 65	1996 ARMIS 43-04	0	0	N/A
8015	ITC Amort	1996 ARMIS 43-04	2,007	2,007	N/A
8018	FCC ITC Adj	1996 ARMIS 43-04	0	0	N/A
8020	Fed Inc Tax	Line((8041-8010+8013+8014-8015-8018)x.35/.65)-8015	20,482	59,856	N/A
8040	Average Net Invest	Line 2260 - Line 3430	499,308	499,308	N/A
8041	Net Return	Line 8040 * .1125	56,172	129,296	N/A
8042	RoR, Total TS Achieved	Line 8041* / Line 8040	11.25%	25.90%	N/A

Calculation of Exogenous Port Cost Adjustment:

1	COE Maintenance Adjustment	11/26/97 Letter Filing, Workpaper COE - 1 - S	93,593	93,593	93,593
2	End User Line Port as % of LS Costs	11/26/97 Letter Filing, Workpaper EO Port-1	40.14%	40.14%	40.14%
3	Exogenous Line Port Adjustment	(Row 4014 + Line 1) * Line 2	164,773	212,627	205,272
4	Trunk Port as % of LS Costs	11/26/97 Letter Filing, Workpaper EO Port-1	6.93%	6.93%	6.93%
5	Exogenous Trunk Port Adjustment	(Row 4014 + Line 1) * Line 4	28,452	36,715	35,445
6	Total Exogenous Port Adjustment	Line 3 + Line 5	193,225	249,342	240,717
7	Difference Versus Filed Exogenous	Ln 6 current column - Ln 6 first column	N/A	56,117	47,492

Bell Atlantic
Local Switching Revenue Requirement
1996 ARMIS 43-04
Dollars in Thousands

Development of BA-North Local Switching Revenue Requirement:

ARMIS Row Number	Description	Source	Total BA-North From 11/26/97 Letter Filing	Total BA-North LS Rev. Req. @ Basket RoR	Total BA-North Total LS Revs 'R' Values
4014	Network Access Revenues	Line 7351+8007+8020+8041+4040-4033-4066-4070+4072-7000	340,521	738,681	702,831
1219	Tot Cat 3 Investment	1996 ARMIS 43-04	1,040,356	1,040,356	N/A
2260	Tot Tel Property	1996 ARMIS 43-04	1,223,716	1,223,716	N/A
3430	Tot Res & Def	1996 ARMIS 43-04	750,293	750,293	N/A
4033	Tot Misc Rev	1996 ARMIS 43-04	7,622	7,622	N/A
4040	Uncollectible Rev	1996 ARMIS 43-04	2,643	2,643	N/A
4066	Tot Oth Op Inc	1996 ARMIS 43-04	(715)	(715)	N/A
4070	AFDUC	1997 ARMIS 43-04	1,236	1,236	N/A
4072	Contributions	1998 ARMIS 43-04	514	514	N/A
7000	Marketing Expense	1996 ARMIS 43-04	18,389	18,389	18,389
7351	Tot Oper Exp	1996 ARMIS 43-04	254,612	254,612	N/A
8000	St & Lcl Inc Tax	(8041+8020-8010)*SIT RATE/(1-SIT RATE)	1,699	13,075	N/A
8005	Tot Oth St & Lcl Tax	1996 ARMIS 43-04	33,881	33,881	N/A
8007	Tot St&Lcl Tax	Line 8000 + Line 8005	35,580	46,956	N/A
8010	Fixed Charges	1996 ARMIS 43-04	15,949	15,949	N/A
8013	IRS Inc Adj	1996 ARMIS 43-04	3,354	3,354	N/A
8014	FCC Inc Adj 65	1996 ARMIS 43-04	83	83	N/A
8015	ITC Amort	1996 ARMIS 43-04	973	973	N/A
8018	FCC ITC Adj	1996 ARMIS 43-04	0	0	N/A
8020	Fed Inc Tax	Line((8041-8010+8013+8014-8015-8018)x.35/.65-8015	20,444	155,818	N/A
8040	Average Net Invest	Line 2260 - Line 3430	473,423	478,478	N/A
8041	Net Return	Line 8040*.1125	53,260	304,669	N/A
8042	RoR	Line 8041 / Line 8040	11.25%	63.67%	N/A

Calculation of Exogenous Port Cost Adjustment:

1	COE Maintenance Adjustment	11/26/97 Letter Filing, Workpaper COE - 1 - N	60,915	60,915	60,915
2	End User Line Port as % of LS Costs	11/26/97 Letter Filing, Workpaper EO Port-1	29.10%	29.10%	29.10%
3	Exogenous Line Port Adjustment	(Row 4014 + Line 1) * Line 2	116,807	232,661	222,230
4	Trunk Port as % of LS Costs	11/26/97 Letter Filing, Workpaper EO Port-1	12.37%	12.37%	12.37%
5	Exogenous Trunk Port Adjustment	(Row 4014 + Line 1) * Line 4	49,667	98,929	94,493
6	Total Exogenous Port Adjustment	Line 2 + Line 4	166,474	331,590	316,723
7	Difference Versus Filed Exogenous	Ln 6 current column - Ln 6 first column	N/A	165,115	150,249

BA-South

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 Host Remote Revenue Requirement	Access Reform Filing	17,766	17,766
2 Part 69 COE Maintenance Exogenous as Filed	Access Reform Filing	(67,894)	(67,894)
3 Host/Remote as % of Trunking Rev. Req.	$Ln1 / (Ln2 + Ln 4014, Exhibit C-3S)$	1.57%	1.57%
4 Basket Revenue	1\	845,485	994,794
5 Host Remote Exog Based on FCC Rev. Proposal	$Ln 3 * Ln 4$	13,264	15,606
6 Host Remote Revenues pre 1/1/98	Access Reform Filing	3,434	3,434
7 Amount to be removed from the TIC	$Ln 5 - Ln 6$	9,830	12,172
8 Amount to be removed from the TIC as Filed	Access Reform Filing	14,332	14,332
9 Difference	$Ln 7 - Ln 8$	(4,502)	(2,159)

BA-North

	Source	Exogenous Based on R' Values	Exogenous Based on Basket RoR
1 Host Remote Revenue Requirement	Access Reform Filing	26,144	26,144
2 Part 69 COE Maintenance Exogenous as Filed	Access Reform Filing	(49,276)	(49,276)
3 Host/Remote as % of Trunking Rev. Req.	$Ln1 / (Ln2 + Ln 4014, Exhibit C-3N)$	2.01%	2.01%
4 Basket Revenue	1\	959,669	1,139,885
5 Host Remote Exog Based on FCC Rev. Proposal	$Ln 3 * Ln 4$	19,294	22,918
6 Host Remote Revenues pre 1/1/98	Access Reform Filing	4,371	4,371
7 Amount to be removed from the TIC	$Ln 5 - Ln 6$	14,924	18,547
8 Amount to be removed from the TIC as Filed	Access Reform Filing	21,773	21,773
9 Difference	$Ln 7 - Ln 8$	(6,849)	(3,226)

1\ 'R' values from Access Reform Filing with adjustment for marketing exogenous;

Subject: Tandem Switching Revenue Requirement Attributed to SS7 Costs

Issue 1: Provide cost studies justifying the amount of SS7 costs that were removed from the Transport Interconnection Charge ("TIC"). (¶ 61)

Response:

Attached as Exhibit D-1 are the cost data that Bell Atlantic used to identify and remove SS7 costs from the transport interconnection charge. Bell Atlantic developed these data through an analysis of all SS7 costs in engineering records that were assigned to Category 2 - Tandem Switching. Engineering records assign Equipment Category Numbers (ECNs) to all central office investment. The ECNs that are assigned to SS7 Signaling Transfer Points ("STPs") are listed below.

<u>ECN</u>	<u>Description</u>
• 3152Z	STP, CCNS, & SS7 Equipment; BOC 800 Service at STP only
• 7502Z	3B Processor associated with STP

The Bureau questions why 28 percent of Bell Atlantic-South's tandem switching revenue requirement is SS7, while other local exchange carriers attribute about 10 percent of tandem switching costs to SS7. *See Designation Order*, ¶¶ 54, 61. First, the 28 percent figure, which was based on MCI's comments, is incorrect. MCI calculated that number by dividing Bell Atlantic-South's 1996 SS7 costs by Bell Atlantic-South's 1992 total tandem revenue requirements. Clearly, using data from different time periods does not reflect the current percentage of SS7 costs in the tandem category. As shown in Exhibit D-2, SS7 costs are 23.9% of Bell Atlantic-South's current tandem revenue

requirements. Second, the the Bell Atlantic-South percentage is relatively high for several reasons. The level of SS7 investment is directly related to the number of signaling transfer points (“STPs”) in the company, and the number of STPs is dependent on the number of LATAs, since each LATA must have an STP to comply with the terms of the AT&T divestiture decree. Also, STPs must be installed in pairs (at least two per LATA) to provide redundancy in case of a network failure. See the chart below for a comparison of BA-South with BA-North. As the chart demonstrates, Bell Atlantic-South has a higher percentage of SS7 costs primarily because it has more LATAs and more STPs.

	BA-South	BA-North
Tandem Investment	\$410 million	\$534 million
LATAs	19	12
STPs	44 ¹	26
SS7 Investment	\$98 million	\$43 million
SS7% of Tandem	24%	8%

The Bureau’s observation that SS7 costs generally represent approximately 10 percent of total tandem revenue requirement based, in part, on data provided by Bell

¹ Three of Bell Atlantic-South’s LATAs have an additional pair of STPs due to heavy traffic volumes in the Washington DC, Philadelphia, and northern New Jersey areas. For

Atlantic in 1992.² However, those data were based on a study of Bell Atlantic-south's 1990 costs, which estimated that 11% of tandem investment is related to SS7. In 1992, Bell Atlantic had 28 STPs in service, totaling approximately \$52.4 million of investment.³ As is shown above, the number of STPs in Bell Atlantic-South has since grown to 44. Based simply on the growth in the number of STPs, SS7 costs would be 21 percent of current tandem investment, which is close to the 24% figure that Bell Atlantic-South reported in the TRP. *See* Exhibit D-2. This demonstrates that the higher figure is the result of an expansion in the number of STPs, all of which were deployed in tandem locations. As such, the costs of these STPs are recorded as Category 2 - Tandem Switching and included in the tandem revenue requirements.

Finally, Bell Atlantic-South has a relatively high level of SS7 costs because it has deployed SS7 more rapidly, and more extensively, in order to improve call setup and to offer innovative, value-added features. Bell Atlantic-South also began deploying SS7 with analog switches at a time when SS7 equipment was more expensive. Also, while some companies may have deployed only basic SS7 capabilities, Bell Atlantic-South has widely deployed advanced network intelligence ("AIN") at STPs throughout its service area to improve call setup and to market innovative features, such as access control, account code, call completion, call gate, call 54, do not disturb, follow me, paging party pays, easy number, specialized routing mode, virtual private network,

the same reason, Bell Atlantic-North has an additional pair of STPs in the New York LATA 132.

² See March 13, 1992 Ex Parte, from Marie Breslin (Bell Atlantic) to Ms. Donna Searcy.

work at home billing service, and 500 service. This AIN capability required additional SS7 equipment as well as the capability of handling more messages. For this reason, Bell Atlantic-South has somewhat higher costs per-STP than Bell Atlantic-North, which has not widely deployed AIN. The higher cost per-STP, together with the larger number of STPs in Bell Atlantic-South, accounts for the higher percentage of SS7 costs in the tandem revenue requirements.

Issue 2: Provide detailed information substantiating the amount of SS7 costs originally allocated to the TIC. (¶ 61)

Response:

See Exhibit D-3.

Issue 3: Provide detailed information regarding any additional SS7 costs that were incorporated in the TIC during the period January 1, 1994 to December 31, 1997. (¶ 61)

Response:

During the period January 1, 1994 through December 31, 1997, Bell Atlantic did not incorporate any exogenous SS7 costs in the TIC.

Issue 4: Provide detailed information regarding any true-up to SS7 costs due to exogenous cost adjustments to the trunking basket. (¶ 61)

Response:

During the period January 1, 1994 through December 31, 1997, Bell Atlantic did not adjust its price cap indices to reflect changes in SS7 costs.

³ See June 18, 1993 Marie C. John's Letter addressed to Kenneth P. Moran.

Exhibit D-1 DC SS7 Costs

3013236	3152Z	\$0.00
3013236	3152Z	\$0.00
3013236	3152Z	\$12,422.35
3013236	3152Z	\$2,662.49
3013236	3152Z	\$8,780.37
3013236	3152Z	\$8,780.37
3013237	3152Z	\$5,329.66
3013237	3152Z	\$698.41
3013237	3152Z	\$450.00
3013237	3152Z	\$5,400.00
3013237	3152Z	\$10,200.00
3013237	3152Z	\$1,146,167.62
3013237	3152Z	\$325,920.00
3013237	3152Z	\$213,840.00
3013237	3152Z	\$1,047.62
3013237	3152Z	\$1,760.01
3013237	3152Z	\$3,305.53
3013237	3152Z	\$2,007.94
3013237	3152Z	\$2,153.40
3013237	3152Z	\$17,460.33
3013237	3152Z	\$12,338.40
3013237	3152Z	\$1,676.20
3013237	3152Z	\$1,257.15
3013237	3152Z	\$2,677.20
3013237	3152Z	\$122,891.57
3013237	3152Z	\$25,220.00
3013237	3152Z	\$6,704.76
3013237	3152Z	\$1,326.98
3013237	3152Z	\$264.17
3013237	3152Z	\$602.65
3013237	3152Z	\$3,782.34
3013237	3152Z	\$1,275.00
3013237	3152Z	\$180.74
3013237	3152Z	\$153.65
3013237	3152Z	\$9,114.29
3013237	3152Z	\$13,409.52
3013237	3152Z	\$81,565.61
3013237	3152Z	\$6,688.05
3013237	3152Z	\$18,312.77
3013237	3152Z	\$14,457.18
3013237	3152Z	\$6,879.03
3013237	3152Z	\$738.56
3013237	3152Z	\$1,795.37
3013237	3152Z	\$19,066.67
3013237	3152Z	\$31,428.58

Exhibit D-1 DC SS7 Costs

3013237	3152Z	\$1,955.56
3013237	3152Z	\$524.92
3013237	3152Z	\$3,038.10
3013237	3152Z	\$10,336.52
3013237	3152Z	\$14,483.94
3013237	3152Z	\$39,498.13
3013237	3152Z	\$180,820.15
3013237	3152Z	\$19,120.45
3013237	3152Z	\$52,065.73
3013237	3152Z	\$3,481.60
3013237	3152Z	\$9,358.73
3013237	3152Z	\$768.26
3013237	3152Z	\$22,348.80
3013237	3152Z	\$153,964.80
3013237	3152Z	\$170.66
3013237	3152Z	\$66,513.10
3013237	3152Z	\$102,708.41
3013237	3152Z	\$7,130.39
3013237	3152Z	\$102,708.41
3013237	3152Z	\$1,212.17
3013237	3152Z	\$102,708.40
3013237	3152Z	\$9,210.39
3013237	3152Z	\$17,212.39
3013237	3152Z	\$56,348.89
3013237	3152Z	\$87,846.64
3013237	3152Z	\$66,649.22
3013237	3152Z	\$144,705.42

\$3,429,082.72

Exhibit D-1 Delaware SS7 Costs

0291038	7502Z		\$112,725.60
0291038	3152Z	\$27,461.88	
0291038	3152Z	\$384.89	
0291038	3152Z	\$898.08	
0291038	3152Z	\$1,180.32	
0291038	3152Z	\$15,395.70	
0291038	3152Z	\$22,619.20	
0291038	3152Z	\$615.83	
0291038	3152Z	\$615.82	
0291038	3152Z	\$2,453.96	
0291038	3152Z	\$390.02	
0291038	3152Z	\$90,000.00	
0291038	7502Z		\$2,133.88
0291038	3152Z	\$112.90	
0291038	3152Z	\$4,464.76	
0291038	3152Z	\$6,568.84	
0291038	3152Z	\$23,507.12	
0291038	3152Z	\$7,075.32	
0291038	3152Z	\$7,082.04	
0291038	3152Z	\$9,340.08	
0291038	3152Z	\$18,474.88	
0291038	3152Z	\$428.54	
0291038	3152Z	\$131.92	
0291038	3152Z	\$609.21	
0291038	3152Z	\$149.90	
0291038	3152Z	\$85,541.17	
0291038	3152Z	\$12,576.90	
0291038	3152Z	\$922.70	
0291038	3152Z	\$195.87	
0291038	7502Z		\$97,130.88
0291038	7502Z		\$137,503.95
0291038	3152Z	\$30,269.82	
0291038	7502Z	\$28,167.32	
0291038	3152Z	\$3,461.66	
0291038	3152Z	\$223.24	
0291038	3152Z	\$2,873.86	
0291038	3152Z	\$13,656.88	
0291038	7502Z		\$1,334.30
0291038	3152Z	\$272,775.20	
0291038	3152Z	\$104,330.98	
0291038	3152Z	\$846.75	
0291038	3152Z	\$29,604.99	
0291038	3152Z	\$1,539.57	
0291038	3152Z	\$33,004.15	
0291038	3152Z	\$15,747.00	

Exhibit D-1 Delaware SS7 Costs

0291038	3152Z	\$78,814.79		
0291038	3152Z	\$46,121.89		
0291038	3152Z	\$35,012.61		
0291038	7502Z		\$37,564.86	
0291038	7502Z		\$148,677.11	
0291038	7502Z		\$87,927.36	
0291038	7502Z		\$128.10	
0291038	3152Z	\$10,276.00		
0291038	3152Z	\$1,707.93		
0291038	3152Z	\$61,868.89		
0291038	3152Z	\$6,074.59		
0291038	3152Z	\$68,409.26		
0291038	7502Z		\$13,116.09	
0291038	3152Z	\$58,864.05		
0291038	3152Z	\$4,169.66		
0291350	3152Z	\$722.00		
0291350	3152Z	\$20.00		
0291500	3152Z	\$11,442.82		
0291500	3152Z	\$12,932.04		
0291500	3152Z	\$2,221.66		
0291500	3152Z	\$5,220.16		
0291500	3152Z	\$3,489.60		
0291500	3152Z	\$5,602.56		
0291500	3152Z	\$9,494.20		
0291500	3152Z	\$1,876.98		
0291500	3152Z	\$722.00		
0291500	3152Z	\$581.34		
0291500	3152Z	\$1,189.96		
0291500	3152Z	\$605.76		
0291500	3152Z	\$703.58		
0291500	3152Z	\$1,275.38		
0291500	3152Z	\$6,685.60		
0295070	3152Z	\$3,452.00		
0295070	3152Z	\$770.98		
0295070	3152Z	\$1,166.40		
0295070	3152Z	\$2,912.84		
0295070	3152Z	\$2,739.24		
0295070	3152Z	\$3,429.88		
0295070	3152Z	\$841.42		
0295070	3152Z	\$1,119.28		
0295070	3152Z	\$2,488.72		
0295070	3152Z	\$206.02		
0295070	3152Z	\$534.00		
0295070	3152Z	\$436.52		
0295070	3152Z	\$1,736.92		
0295070	3152Z	\$0.04		

Exhibit D-1 Delaware SS7 Costs

0295070	3152Z	\$2,713.88	
0295070	3152Z	\$620.00	
0295070	3152Z	\$238.38	
0295070	3152Z	\$20,151.06	
0295070	3152Z	\$1,800.46	
0295070	3152Z	\$26.11	
0295070	3152Z	\$205.65	
0295070	3152Z	\$5,066.11	
0295070	3152Z	\$4,202.95	
0295070	3152Z	\$24,370.82	
0295070	3152Z	\$10,931.27	
0295160	3152Z	\$2,948.80	
0295160	3152Z	\$241.96	
0295160	3152Z	\$1,447.14	
0295160	3152Z	\$1,272.66	
0295160	3152Z	\$4,054.89	
0295160	3152Z	\$3,623.01	
0295160	3152Z	\$56,138.11	
0295160	3152Z	\$11,024.32	

DELAWARE

\$1,484,716.42

\$638,242.13

\$2,122,958.55

Exhibit D-1 Maryland SS7 Costs

3103426	3152Z	\$732.91
3103426	3152Z	\$1,142,845.39
3103426	3152Z	\$8,689.03
3103426	3152Z	\$1,209.31
3103426	3152Z	\$1,133.35
3103426	3152Z	\$1,099.38
3103426	3152Z	\$1,416.69
3103426	3152Z	\$1,846.94
3103426	3152Z	\$1,794.47
3103426	3152Z	\$3,468.82
3103426	3152Z	\$2,107.13
3103426	3152Z	\$755.57
3103426	3152Z	\$2,294.37
3103426	3152Z	\$18,322.86
3103426	3152Z	\$8,689.03
3103426	3152Z	\$13,145.92
3103426	3152Z	\$23,750.16
3103426	3152Z	\$1,759.00
3103426	3152Z	\$1,605.58
3103426	3152Z	\$1,319.25
3103426	3152Z	\$944.46
3103426	3152Z	\$2,852.44
3103426	3152Z	\$2,576.66
3103426	3152Z	\$128,962.40
3103426	3152Z	\$7,744.57
3103426	3152Z	\$7,035.98
3103426	3152Z	\$7,177.90
3103426	3152Z	\$1,392.53
3103426	3152Z	\$277.22
3103426	3152Z	\$284,244.68
3103426	3152Z	\$632.41
3103426	3152Z	\$3,969.19
3103426	3152Z	\$13,896.23
3103426	3152Z	\$13,896.23
3103426	3152Z	\$94,500.00
3103426	3152Z	\$2,240.57
3103426	3152Z	\$161.27
3103426	3152Z	\$9,564.53
3103426	3152Z	\$6,044.54
3103426	3152Z	\$14,071.95
3103426	3152Z	\$8,405.69
3103426	3152Z	\$85,594.95
3103426	3152Z	\$4,816.75
3103426	3152Z	\$19,217.42
3103426	3152Z	\$15,171.32

Exhibit D-1 Maryland SS7 Costs

3103426	3152Z	\$8,972.37
3103426	3152Z	\$7,218.86
3103426	3152Z	\$472.23
3103426	3152Z	\$1,884.06
3103426	3152Z	\$20,008.56
3103426	3152Z	\$11,900.20
3103426	3152Z	\$32,981.15
3103426	3152Z	\$11,522.41
3103426	3152Z	\$2,052.16
3103426	3152Z	\$283.34
3103426	3152Z	\$550.86
3103426	3152Z	\$3,188.18
3103426	3152Z	\$3,211.16
3103426	3152Z	\$275.78
3103426	3152Z	\$10,847.15
3103426	3152Z	\$10,389.06
3103426	3152Z	\$41,449.34
3103426	3152Z	\$189,752.64
3103426	3152Z	\$13,694.67
3103426	3152Z	\$54,637.77
3103426	3152Z	\$3,653.58
3103426	3152Z	\$9,821.05
3103426	3152Z	\$4,580.63
3103426	3152Z	\$806.22
3103426	7502Z	\$411,810.00
3103426	3152Z	\$61,359.00
3103426	3152Z	\$3,634.74
3103426	3152Z	\$23,811.47
3103426	3152Z	\$14,339.72
3103426	7502Z	\$161,570.66
3103426	3152Z	\$231,817.95
3103426	3152Z	\$13,896.23
3103426	3152Z	\$5,111.84
3103426	3152Z	\$1,957.83
3103426	3152Z	\$1,090.82
3103426	3152Z	\$1,289.89
3103426	3152Z	\$33,847.96
3103426	3152Z	\$21,297.95
3103426	3152Z	\$3,383.34
3103426	3152Z	\$26.12
3103426	3152Z	\$3,909.10
3103426	3152Z	\$111,749.38
3103426	3152Z	\$527,626.91
3103426	3152Z	\$2,954.09
3103426	3152Z	\$181.39
3103426	3152Z	\$980.98

Exhibit D-1 Maryland SS7 Costs

3103426	3152Z	\$20,047.11
3103426	3152Z	\$16,247.02
3103426	3152Z	\$2,126.08
3103426	3152Z	\$551,307.14
3103426	3152Z	\$14,251.97
3103426	3152Z	\$8,461.99
3103426	3152Z	\$18,510.61
3103426	3152Z	\$4,495.43
3103426	3152Z	\$1,586.62
3103426	3152Z	\$8,607.88
3103426	3152Z	\$5,288.74
3103426	3152Z	\$9,477.43
3103426	3152Z	\$475.99
3103426	3152Z	\$5,711.84
3103426	3152Z	\$3,538.13
3103426	3152Z	\$10,789.04
3103426	3152Z	\$899.09
3103426	3152Z	\$60,238.21
3103426	3152Z	\$170,328.34
3104023	3152Z	\$4,990.00
3104023	3152Z	\$2,857.38
3104023	3152Z	\$22,103.04
3104023	3152Z	\$69,500.37
3104023	3152Z	\$21,856.44
3104023	3152Z	\$5,403.32
3104023	3152Z	\$7,594.76
3104023	3152Z	\$2,966.19
3104023	3152Z	\$57,451.88
3104023	3152Z	\$11,080.78
3104023	3152Z	\$1,061,040.95
3104023	3152Z	\$740,823.13
3104023	3152Z	\$1,808.54
3104023	3152Z	\$3,849.31
3104023	3152Z	\$659.43
3104023	3152Z	\$12,896.68
3104023	3152Z	\$198,643.63
3121323	3152Z	\$302,378.31
3121323	3152Z	\$675.81
3121323	3152Z	\$1,699.19
3121323	3152Z	\$1,428.86
3121323	3152Z	\$24,561.00
3121323	3152Z	\$729.88
3121323	3152Z	\$888.21
3121323	3152Z	\$579.27
3121323	3152Z	\$94,500.00
3121323	3152Z	\$343.70